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PRICE FAIR & REASONABLE

13.106-3 -- Award and Documentation.

(a) Basis for award. Before making award, contracting officers must determine price is fair and reasonableness.

(1) Whenever possible, price reasonableness should be based on competitive quotations or offers.

(2) If only one response is received, include a statement of price reasonableness in the contract file. The contracting officer may base the statement on --

(i) Market research;

(ii) Comparison of the proposed price with prices found reasonable on previous purchases;

13.106-3 -- Award and Documentation (cont'd)

- (iii) Current price lists, catalogs, or advertisements. However, inclusion of a price in a price list, catalog, or advertisement does not, in and of itself, establish fairness and reasonableness of the price;*
- (iv) A comparison with similar items in a related industry;*
- (v) The contracting officer's personal knowledge of the item being purchased*
- (vi) Comparison to an independent Government estimate; or*
- (vii) Any other reasonable basis.*

15.406-3 -- DOCUMENTING THE NEGOTIATION

Each pricing action shall be supported by sufficient written detail to demonstrate that the price is fair and reasonable. For all awards over \$25,000 a Price Negotiation Memorandum (PNM) shall be written. PNMs documentation should include:

- (1) The purpose of the negotiation.*
- (2) A description of the acquisition.*
- 3) The name, position, and organization of each person representing the contractor and the Government in negotiations.*
- (4) The current status of any contractor systems (e.g. to the extent they affected the negotiations).*
- 5) Cost or pricing data inclusion or exclusion. (Threshold \$550,000)*
- 6) A summary of the contractor's proposal.*

15.406-3 -- DOCUMENTING THE NEGOTIATION (cont'd)

(7) The most significant facts or considerations controlling the establishment of the pre-negotiation objectives and the negotiated agreement.

(8) To the extent such direction has a significant effect on the action, a discussion and quantification of the impact of direction given by Congress, other agencies, and higher-level limits the requirement for verification of price. The documentation for micro purchases should be minimal but commensurate with the level of verification of reasonableness required. Therefore, you may prepare a memo for record to the file documenting your determination of a fair and reasonable price officials (i.e., officials who would not normally exercise authority during the award and review process for the instant contract action).

15.406-3 -- DOCUMENTING THE NEGOTIATION (cont'd)

(10) The basis for the profit or fee pre-negotiation objective and the profit or fee negotiated.

(11) Documentation of fair and reasonable pricing

ADEQUATE PRICE COMPETITION

When adequate price competition exists (see 15.403-1(c)(1)), generally no additional information is needed to determine price fair and reasonableness.

However, if there are unusual circumstances where it is concluded that additional information is necessary to determine reasonableness of price, the contracting officer shall, to the maximum extent practicable, obtain the additional information from sources other than the offeror. In addition, the contracting officer may request information to determine the cost realism of competing offers or to evaluate competing approaches.

Micro-Purchase: FAR 13.202 Federal Supply Schedules (FSS):

*When placing orders under an FSS, ordering activities **need not** seek further competition, synopsise the requirement, or make a separate determination of fair and reasonable pricing (GSA has already determined the prices of items under these contracts to be fair and reasonable)*

COMMERCIAL ITEMS

(1) As a minimum, the contracting officer must use price analysis (examines and evaluates a proposed price without evaluating its separate cost elements and proposed profit) to determine whether the price is fair and reasonable whenever the contracting officer acquires a commercial item (see 15.404-The fact that a price is included in a catalog does not, in and of itself, make it fair and reasonable. If the contracting officer cannot determine whether an offered price is fair and reasonable, even after obtaining additional information from other sources other than the offeror, then the contracting officer must require the offeror to submit information other than cost or pricing data to support further analysis (see 15.403-3(a)(1))).

Pricing Memorandum IAW FAR 13.106-3(a)

Contracting Particulars

Contract Number		Name of Company & Address		Purchasing Office	
Item					
Unit Price		Quantity		Contract Price	
Delivery Schedule					
Other Information (Explain)					
Price is Fair and Reasonable Based on (Choose one of subsections A and E below):					
A - Catalog or Market Price					
Catalog Number		Dated		Item on Page	
				Catalog Price	
Explain Any Adjustments To Catalog Price					
Indicate How Market Price Was Verified					
B - Price Set By Law or Regulation					
Applicable Law or Regulation				Effective Date	
Indicate How Price Was Verified					
C - Comparison To Previous Contract Prices					
Contract Number		Dated	Unit Price		Quantity
Delivery Schedule					
Adjustments to Validate Comparison					
Contract was for • Same Item • Similar Item (Explain)					
Previous Price Fair and Reasonable Based On: • Adequate Price Competition • Catalog or Market Price • Price Set By Law Or Regulation • Comparison to Government Estimate • Cost Analysis • Other (Explain. Price comparison not acceptable)					
D - Independent Government Estimate					
Source of Estimate				Date of Estimate	
Adjustments to Validate Comparison					
Indicate How Estimate Was Validated					
** E - Other (Explain - If more space is needed, use reverse)					
Contract Specialist Name (Printed)		Signature			Date
Contracting Officer's Name (Printed)		Signature			Date